



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 6/21/2002

GAIN Report #CH2617

China, Peoples Republic of

Retail Food Sector

Recent Supermarket Developments

2002

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Report Highlights:

Despite the adoption of centralized purchasing by local Chinese supermarket chains, direct importation by these chains has been hampered by the chain's small sizes. A couple of recent developments in the local supermarket industry might be signaling the beginning of a change in this situation.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Guangzhou [CH3], CH

One of the impediments regarding direct importation by some supermarket chains in China is the small number of stores within the respective chains. Although centralized purchasing for chains is becoming the norm, small total store numbers prevent many chains from lessening the additional per unit importation costs. Certain recent developments in southern China could indicate the future removal of this problem for a couple of supermarket chains in the near future. These developments include Beatrice's future plans to unite their separate supermarket chains in several Chinese cities and centralize purchasing for all, and China Resources' continuing interest in buying into local supermarket chains throughout Guangdong province's Pearl River delta.

Beatrice currently has joint ventures with various different local retailers in several cities in China. Chinese cities where Beatrice operates supermarket joint ventures include: Guangzhou, Xiamen, Chengdu, Suzhou, and Beijing. Altogether Beatrice is part of 116 stores across China. Each joint venture chain uses centralized purchasing for all stores within the chain, but this arrangement does not apply to the chains as a group. However, one Beatrice executive based in Guangzhou recently revealed to Post that the company's overall future plan is to unify the chains in the various cities and implement centralized purchasing for the whole united chain. The executive though was uncertain about the timing for implementing this plan.

In the other development, China Resources Enterprise Limited, an investment arm of China's Ministry of Foreign Trade and Economic Cooperation, announced in early June its intention to buy 65 percent of China Vanguard Super Development Company. China Resources also announced that it had an option to buy the remaining stake and exercising this option was pending approval from the government. The Vanguard chain in Shenzhen as of early 2002 operated 9 hypermarkets in the former special economic zone. China Resources Enterprises which operates the CRC supermarket chain already has 321 supermarkets in China. Earlier, CRC had bought into the Daoneijia Supermarket chain of Guangzhou and the New Seven Stars Supermarket chain of Zhuhai. According to market rumors, China Resources hopes at some stage to unify the centralized purchasing among all of the stores in which it has an ownership interest. However, the timing of such an action is never mentioned.

At the present time, only the wholly-owned and joint venture hypermarkets in China are the only retail chains with great geographic reach and could implement nationwide centralized purchasing. These hypermarket chains include: Wal-Mart, Carrefour, Metro/Makro, and Trust-Mart.